

Form 990, Schedule H, Part VI, “The Essay Questions” Resource

The IRS Form 990, Schedule H asks specific questions about not-for-profit hospital organizations’ community benefit and other issues related to tax-exemption. The final page of the form, Part VI, asks organizations to respond to open ended questions, commonly referred to as “the essay questions.”

The questions in Part VI provide hospital organizations with an opportunity to communicate important information on how the organization serves its local communities and fulfills its tax exempt purpose. Key audiences, such as donors, current and potential employees, physicians and the media, may review this section first to gain a general sense of the organization’s community service role. The IRS is likely to use the answers to put reported dollar amounts into context and to judge compliance with exemption requirements.

Below are the questions included in Part VI and recommendations for addressing them. An appendix is included that contains the IRS instructions for Part VI.

1. Provide the description
required for Part I, line 3c;
Part I, line 6a; Part I, line 7g;
Part I, line 7, column (f); Part
I, line 7; Part III, line 4; Part
III, line 8; Part III, line 9b,
and Part V.

CHA Recommendation/Guidance for Response

See IRS instructions in the Appendix of this document for what information to include

2. Needs Assessment.
Describe how the organization
assesses the health care
needs of the communities
it serves.

CHA Recommendation/Guidance for Response

Hospitals should be informed about needs in their communities, but they need not conduct a full community health needs assessments themselves. Some assessment models that the organization could report in Part VI include:

- + Hospital conducts its own assessment.
- + Hospital conducts assessment with the assistance of outside experts such as faculty from schools of public health. Hospital contracts with an outside organization to conduct assessment (consulting firm, university school of public health).
- + Hospitals in a community come together to conduct assessment.
- + Hospital(s) join an existing community-based assessment process (such as one sponsored by the United Way or a public agency).
- + Hospital uses an existing community health needs assessment.

Other approaches for identifying community health needs that could be reported here include:

- + A public agency or community group requests the hospital to provide certain community benefit activities or programs.
- + Other tax-exempt or community organizations have asked to partner with the hospital to provide (a) program/s.
- + Hospital personnel (such as emergency department or discharge planning staff) have identified needs based on admissions/discharge or other hospital data.

Also, consider including the following information in your response:

- + The geographic area assessed, and whether it is the same or broader than the area described in question 4.
- + How frequently the community need assessment is conducted.
- + How information is updated between assessments.
- + How individuals representing the broad interests of the community, including public health officials, provided input into the assessment.

The role and composition of a community benefit committee and/or assessment committee.

- + The process for prioritizing needs and for approving community benefit activities.
- + Whether the assessment results have been made available to the community.

3. Patient Education of Eligibility for Assistance.
Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy.

CHA Recommendation/Guidance for Response

The IRS instructions give the following examples for educating persons about their eligibility for financial assistance:

- + Post the charity care policy, or a summary thereof, and financial assistance contact information in admissions areas, emergency departments and other areas of the organization's facilities in which eligible patients are likely to be present.
- + Provide a copy or a summary of the policy and financial assistance contact information to patients as part of the intake process.
- + Provide a copy of the policy, or a summary thereof, and financial assistance contact information to patients with discharge materials.
- + Include the policy or a summary along with financial assistance contact information, in patient bills; and/or
- + Discuss with the patient the availability of various government benefits, such as Medicaid or state programs, and assist the patient with qualification for such programs, where applicable.

Additional information that could be provided in response to this question includes descriptions of the following:

- + Efforts to inform non-English speaking patients about financial assistance policies.
- + Staff training on financial assistance and on how to qualify patients for Medicaid, SCHIP and other government programs and the range of staff who receive the training.
- + Roles and responsibilities of financial assistance counselors and how social workers coordinate activities with counselors to identify and assist eligible patients.
- + Relevant information posted on the organization's website.
- + Brochures, bill stuffers and other means of explaining the availability, criteria and process for applying for financial assistance.
- + Special programs designed to find medical services for low-income and uninsured persons (in addition to government programs and the hospital's financial assistance program) such as outreach programs, medical homes or physician networks. Also mention, if possible, that all third parties that work on behalf of the organization to collect fees (such as collection agencies and law firms) are required to follow the hospital's policies regarding patient notification about the availability of financial assistance.

4. Community Information.

Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

CHA Recommendation/Guidance for Response

Answers to this question should describe: 1) the geographic area that comprises the community served (counties, zip codes, metropolitan areas) and 2) the unique characteristics of the people who reside in this area.

The community served can be described by:

- + Geographic boundaries.
- + Type of community (urban, suburban, rural).
- + Census tracts, zip codes, counties or other official designations.
- + Number and types of hospitals in the community (for example, public, not-for-profit).

- + Presence of federally designated medically underserved areas or populations.

Demographic information used to describe the community can include the following: (when appropriate, compare information with other communities in your state or in the nation)

- + Special populations within the area served, including ethnic and cultural groups.
- + Average income level and poverty rates.
- + Percent of residents who are in households below the federal poverty guidelines.
- + Rates of uninsured or underinsured persons.
- + Percent of families who are on Medicaid or other assistance.
- + Age breakdown and recent trends.
- + Percentages of non-English speaking populations.

Providing the following health related information about the community can help illustrate how the organization is meeting community health needs:

- + Major health problems, especially when community rate is high in comparison with other areas.
- + Health statistics, such as incidence of disease, smoking rates and other risk factors.
- + The role of the hospital in providing a health care safety net for uninsured persons, such as use of emergency department for primary care, how the hospital serves a disproportionate share of uninsured patients or Medicaid beneficiaries

If the organization serves more than one geographic area, include descriptions of all the communities served. For example, hospitals may identify the following as communities served:

- + Primary, secondary and regional service areas.
- + The primary service area and a more remote area that the hospital also serves, for example a low-income area that the hospital reaches out to serve.

- + An area historically served by a hospital that has moved its facility to another area but that still continues efforts to improve health in that community. Examples of these efforts include a clinic for low-income persons or a foundation that raises money for health programs in the community.
- + Hospitals with specialty services or recognized centers of excellence may serve an entire state or region. Some academic medical centers and children's hospitals are national and international resources for training health professionals and research.

5. Community Building Activities.

Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.

CHA Recommendation/Guidance for Response

Use this question to describe the connection between your community building activities and their impact on improving health in the community. The following information can help make the connection:

- + The primary purpose of the community building activity is to improve health in the community.
 - Describe what identified need or health problem the activity is addressing.
 - Describe how the need/problem was identified. This might include the findings of a needs assessment, statistical evidence from government or other reports or a request from a government agency or community group for the activity.
 - Describe why it was important to address the need/problem. Include information such as whether the problem particularly affects low income or vulnerable persons, the scope and seriousness of the problem, whether it is a public health priority and how the organization is in a position to work with others to affect the problem.
 - Describe how the activity will impact the need/problem. If possible, include public health data and/or citations that support the basis for the activity.
- + The community building activity meets a community benefit objective.
 - Describe how the activity meets one or more of the following community benefit objectives: improving access

to health services, enhancing public health, advancing generalizable knowledge or relief of government burden.

- + The activity benefits the community more than it benefits the organization.
 - Explain that the activity was not provided for any of the following reasons: marketing purposes, to increase referrals of patients with third party insurance coverage, in fulfillment of regulatory requirements or current standard of care, or to benefit persons affiliated with the organization. Rather, explain how its primary purpose is to benefit the community.
- + The activity is available broadly in the community, or at least includes persons most in need.
- + The activity has community support.
 - Describe how the organization has worked with members of the community to identify the problem, develop a plan for addressing the problem and is working collaboratively to carry out the plan.

6. Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

CHA Recommendation/Guidance for Response

Consistent with language from the Revenue Ruling (69 - 545), known as the "community benefit standard," the IRS Form 990, Schedule H instructions say that this information could include, but not be limited to:

- + Whether a majority of the organization's governing body is comprised of persons who reside in the organization's primary service area who are neither employees nor contractors of the organization, nor family members.
- + Whether the organization extends medical staff privileges to all qualified physicians in its community for some or all of its departments.
- + Whether, and how, the organization applies surplus funds to improvements in patient care, medical education and research.

In addition to the list itemized in the IRS instructions, organizations can also include:

- + Evidence of the organization's responsiveness to the community,

including opportunities for community involvement in governance and advisory groups and examples of programs that were established in the tax year that responded to community needs.

- + Advocacy initiatives for promoting community-wide, state or national efforts to improve health of the population and increase access.
- + Partnerships with others in the community (including public health departments) to improve community health and well-being.
- + The role of the emergency department and urgent care units in serving all persons regardless of ability to pay.
- + Participation in Medicare, Medicaid, CHAMPUS, Tricare or other government sponsored health care programs.
- + Availability of financial assistance and sliding scale discounts and changes to financial assistance or collection policies that would be viewed as constructive.
- + Whether the organization is a sole community hospital, disproportionate share (for Medicaid) or critical access hospital, and/or offers specialized services not available from other hospitals.
- + Whether the hospital is involved with health professions education and/or research.
- + The hospital's role in working with others to identify community needs and address community problems.
- + How community members utilize the hospital as a vehicle to connect with and contribute to individuals and the overall community through philanthropy and volunteering.
- + The social impact of the organization - how it enhances the overall well-being of the community.
- + The impact programs are having on community health, especially prevention activities, efforts to improve health and increase access to health care services, and reducing health care costs.
- + Clinical research that is funded by for-profit companies.

7. If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

CHA Recommendation/Guidance for Response

The IRS instructions say that for purposes of this question, an “affiliated health care system” is a system that includes affiliates under common governance or control, or that cooperate in providing health care services to their community or communities.

Some suggests for responding to this question include:

- + Describe the characteristics of the affiliated health care system (for example, the filing organization is one of many hospitals in system, whether the system has hospitals in multiple states).
- + Consider reporting system-wide community benefit amounts.
- + Describe health services and community benefit activities (such as charity care) the organization provides or supports in separate corporations such as clinics, urgent care centers, ambulatory surgery and other nonhospital services.
- + Describe the activities of foundations that are separate corporations.
- + Describe the integration of services between settings (acute care, long term care, home care, hospice, other community based services).
- + Describe relationships and affiliations with medical schools and with other medical school affiliates that may or may not share common governance, but are recognized as hospital affiliates.
- + How the organization contributes to the community benefit role of the overall system and other organizations in the system through dues or other contributions

8. If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

CHA Recommendation/Guidance for Response

In addition to identifying those states, indicate if any states follow different reporting rules that could lead to different amounts of community benefit being reported.

Appendix

IRS Form 990, Schedule H Part VI Instructions

Question 1 Supplemental Information

Part I, line 3c. Provide, if applicable, the description called for in Part I, line 3c. Specifically, describe the income-based criteria for determining eligibility for free or discounted care under the organization's charity care policy. Also describe whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.

Part I, line 6a. If the organization's community benefit report is contained in a report prepared by a related organization, rather than in a separate report prepared by the organization, identify the related organization in response to Part I, line 6a.

Part I, line 7(g). If applicable, describe in Part VI whether the organization included as subsidized health services in Part I, line 7(g) any costs attributable to a physician clinic, and report the amount of such costs that the organization included in Part I, line 7(g).

Part I, line 7, column (f). If applicable, state the amount of bad debt expense that was included in Form 990, Part IX, line 25, column (A), but removed from this figure for purposes of calculating the percentage in Schedule H, Part I, line 7, column (f).

Part I, line 7 costing methodology. Provide an explanation of the costing methodology used to calculate the amounts reported in the Table in Part I. If a cost accounting system was utilized, indicate whether the cost accounting system addresses all patient segments (e.g., inpatient, outpatient, emergency department, private insurance, Medicaid, Medicare, uninsured or self pay). Also, indicate whether a cost to charge ratio was used for any of the figures reported in the Table. Describe whether this cost to charge ratio was derived from the attached Worksheet 2, Ratio of Patient Care Cost to Charges, and, if not, what kind of cost to charge ratio was used and how it was derived. If some other costing methodology was utilized besides a cost accounting system, cost to charge ratio, or a combination of the two, describe the method used.

Part III, line 4. Provide the description called for with respect to Part III, Section A, line 4. Specifically, provide the rationale and the costing methodology used to determine the amount reported in Part III, Section A, lines 2 and 3. Describe how the organization accounts for discounts and payments on patient accounts in determining bad debt expense. Also describe the method the organization uses to determine the amount that reasonably could be attributable to patients who likely would qualify for financial assistance under the hospital's charity care policy if sufficient information had been available to make a determination of their eligibility.

Also for Part III, Section A, line 4, provide, if applicable, the text of the footnote to the organization's financial statements, or portion thereof, that describes bad debt expense. If the organization's financial statements include a footnote on these issues that also includes other report in Part VI only the relevant portions of the footnote. If the organization's financial statements do not contain such a footnote, state that the organization's financial statements

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do not include such a footnote, and explain how the financial statements account for bad debt, if at all.

Part III, line 8. Describe the costing methodology used to determine the Medicare allowable costs reported in the organization's Medicare Cost Report, as reflected in the amount reported in Part III, line 6. Describe, if applicable, the extent to which any shortfall reported in Part III, line 7 should be treated as community benefit, and the rationale for the organization's position.

Part III, line 9b. If the organization has a written debt collection policy and answered 'Yes' to Part III, Line 9b, describe the collection practices set forth in the policy for patients who are known to qualify for financial assistance under the organization's charity care policy.

Part V. List the number of each type of facility, other than those that are required to be licensed, registered, or similarly recognized as a health care provider under state law and reported in Part V, for which the organization reports information on Schedule H (e.g., 2 rehabilitation clinics, 4 diagnostic centers, 3 skilled nursing facilities).

Question 2 Needs Assessment

Needs Assessment: Describe whether, and if so how, the organization assesses the health care needs of the community or communities it serves.

Question 3 Patient Education of Eligibility for Assistance

Patient Education of Eligibility for Assistance: Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy. For example, state whether the organization (1) posts its charity care policy, or a summary thereof, and financial assistance contact information in admissions areas, emergency rooms, and other areas of the organization's facilities in which eligible patients are likely to be present; (2) provides a copy of the policy, or a summary thereof, and financial assistance contact information to patients as part of the intake process; (3) provides a copy of the policy, or a summary thereof, and financial assistance contact information to patients with discharge materials; (4) includes the policy, or a summary thereof, along with financial assistance contact information, in patient bills; and/or (5) discusses with the patient the availability of various government benefits, such as Medicaid or state programs, and assists the patient with qualification for such programs, where applicable.

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Question 4 Community Information

Community Information: Describe the community or communities the organization serves, taking into account the geographic service area(s) (e.g., urban, suburban, rural), the demographics of the community or communities (e.g., population, average income, percentages of community residents with incomes below the federal poverty guideline, percentage of the hospital's and community's patients who are uninsured or Medicaid recipients), the number of other hospitals serving the community or communities, and whether one or more federally-designated medically underserved areas or populations are present in the community.

Question 5 Community Building Activities

Community Building Activities: Describe how the organization's community building activities, as reported in Part II, promote the health of the community or communities the organization serves.

Question 6 Other Information on Community Health Improvement

Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community or communities, including but not limited to:

- + whether a majority of the organization's governing body is comprised of persons who
- + reside in the organization's primary service area who are neither employees nor contractors of the organization, nor family members thereof;
- + whether the organization extends medical staff privileges to all qualified physicians in its community for some or all of its departments; and
- + whether and how the organization applies surplus funds to improvements in patient care, medical education, and research.

Question 7 Community Health Promotion with Affiliates

If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served by the system. For purposes of this question, an 'affiliated health care system' is a system that includes affiliates that are under common governance or control, or that cooperate in providing health care services to their community or communities.

Appendix

Question 8 **States Where Reports** **are Filed**

Identify all states with which the organization files (or a related organization files on its behalf) a community benefit report. Report only those states in which the organization's own community benefit report is filed, either by the organization itself or by a related organization on the organization's behalf.